

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57920

**BELLINGHAM DEVELOPMENT ASSOCIATION**

Whatcom County, Washington

January 1, 1994 Through November 6, 1995

Issue Date: December 27, 1996

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**BELLINGHAM DEVELOPMENT ASSOCIATION**  
**Whatcom County, Washington**  
**January 1, 1994 Through November 6, 1995**

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**Background**

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The City Center Development Authority (CCDA) was organized as a public development authority under RCW 35.21 and City of Bellingham Ordinance No. 9478 in December 1985. The authority was organized to undertake, coordinate and otherwise assist with public improvements, with private economic development, assistance to businesses, promotion of downtown interests, and other activities to enhance the viability and attractiveness of the Bellingham central business district as a retail and commercial location.

In August 1989, the City of Bellingham established a downtown central business district parking and business improvement area (PBI) under RCW 35.87A and city Ordinance No. 9963 to levy annual special assessments upon businesses in the PBI. The city contracted with City Center Development Authority to administer the operation of the PBI. The PBI expired in September 1992, and was not renewed or replaced by a new PBI, eliminating the principal funding source of CCDA. The entire board and executive director of CCDA resigned.

The mayor of the City of Bellingham appointed a new board. In November 1992, the organization was restructured as the Bellingham Development Association (BDA), adopting a new charter and by-laws. The purpose of the BDA is to provide a legal entity to promote, assist, undertake, coordinate and/or manage public and private programs designed to encourage the development of business activity and housing opportunities throughout the city.

In December 1992, a \$900,000 Housing and Urban Development (HUD) Section 108 loan was received by the BDA, with the BDA as the named borrower and the city as the guarantor, pledging its current and future Community Development Block grant funds. The Section 108 loan funds were then reloaned to Crown Plaza Corporation, a local development company, for purposes of renovating a downtown building. The city's full faith and credit is not offered or exposed by this guarantee. The city's guarantee is collateralized and secured by a deed of trust and assignment of rents on the building and personal guarantees, jointly and severally, from the building owners.

Upon the passage of legislation allowing cities to act as conduits for Section 108 funds in the 1995 session of the Washington State Legislature, the directors of the authority determined the organization was no longer necessary. Thus, the Bellingham Development Association ceased operations effective on November 11, 1995, and distributed all assets per City of Bellingham Resolution No. 59-95. Therefore, we performed an audit of the Bellingham Development Association from January 1, 1994 until it ceased operations on November 6, 1995.

**BELLINGHAM DEVELOPMENT ASSOCIATION**  
**Whatcom County, Washington**  
**January 1, 1994 Through November 6, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Board of Directors  
Bellingham Development Association  
Bellingham, Washington

We have audited the financial statements, as listed in the table of contents, of the Bellingham Development Association, Whatcom County, Washington, as of and for the period ended November 6, 1995, and the fiscal year ended December 31, 1994, and have issued our report thereon dated August 21, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the authority complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the authority's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the authority and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the authority complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the authority had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 21, 1996

**BELLINGHAM DEVELOPMENT ASSOCIATION**  
**Whatcom County, Washington**  
**January 1, 1994 Through November 6, 1995**

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**Status Of Prior Findings**

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The findings contained in the prior audit report were resolved as follows:

1. Required Financial Statements Should Be Prepared And Accounting Records Should Be Maintained

Resolution: The authority has not prepared the required financial statements or maintained adequate accounting records for the years audited. Since the authority ceased operations as of November 6, 1995, we no longer consider this an issue.

2. Adequate Accountability Over Assets Should Be Maintained

Resolution: The authority has not improved accountability over assets except to identify all bank accounts under its prior name and transfer these funds to authority accounts. Since the authority ceased operations as of November 6, 1995, we no longer consider this an issue.

3. The Bellingham Development Association Should Comply With Their Charter And Bylaws

Resolution: The authority had not improved compliance with their charter and bylaws except to provide the City of Bellingham Finance Director with a directory of officials. Since the authority ceased operations as of November 6, 1995, we no longer consider this an issue.

**BELLINGHAM DEVELOPMENT ASSOCIATION**  
**Whatcom County, Washington**  
**January 1, 1994 Through November 6, 1995**

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**Independent Auditor's Report On Financial Statements**

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Board of Directors  
Bellingham Development Association  
Bellingham, Washington

We have audited the accompanying financial statements of the Bellingham Development Association, Whatcom County, Washington, as of and for the period ended November 6, 1995, and December 31, 1994, as listed in the table of contents. These financial statements are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bellingham Development Association at November 6, 1995, and December 31, 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

Brian Sonntag  
State Auditor

August 21, 1996